

VZCZCXR05464
RR RUEHAG RUEHROV
DE RUEHCV #3257/01 3041854
ZNY CCCCC ZZH
R 311854Z OCT 06
FM AMEMBASSY CARACAS
TO RUEHC/SECSTATE WASHDC 6822
INFO RUCNMEM/EU MEMBER STATES COLLECTIVE
RUCNNIV/NONAL COLLECTIVE
RUEHWH/WESTERN HEMISPHERIC AFFAIRS DIPL POSTS
RUEHDE/AMCONSUL DUBAI 0004
RUCPDOC/DEPT OF COMMERCE
RUEATRS/DEPT OF TREASURY
RUMIAAA/HQ USSOUTHCOM MIAMI FL
RHEHNSC/NSC WASHDC
RUEHUB/USINT HAVANA 0989
RUCNDT/USMISSION USUN NEW YORK 0590

C O N F I D E N T I A L SECTION 01 OF 03 CARACAS 003257

SIPDIS

SENSITIVE
SIPDIS

E.O. 12958: DECL: 10/25/2016
TAGS: [ECON](#) [EAID](#) [PREL](#) [VE](#) [IR](#)
SUBJECT: CHAVEZ' DOLLAR DIPLOMACY: SPREADING WEALTH AND PROMISES AROUND THE WORLD

REF: A. CARACAS 854
[¶](#)B. BAMAKO 1141

CARACAS 00003257 001.3 OF 003

Classified By: Economic Counselor Andrew N. Bowen for reasons 1.4 (b) and (d)

Summary

[¶](#)1. (C) Since 2005, President Chavez has verbally pledged over USD 90 billion for bilateral agreements, regional initiatives, government contracts, binational funds, donations, investments and joint ventures involving foreign countries. The total figure is approximately one third of combined GDP for 2005-2006, and includes the value of oil sold with favorable financing. Chavez has engaged in his "dollar diplomacy" with at least 90 countries, including investments in joint ventures to operate on Venezuelan soil and funding a handful of questionable foreign projects. Internally, the oposition has criticized him for spending money abroad while Venezuela's serious infrastructure and social services needs persist. Chavez has maintained that his travel (and promises) are "unavoidable commitments" of the head of state and the Ministry of Communications and Information has launched a billboard campaign attempting to shed positive light on the deals. If he were really to spend as much as he promises, Venezuela could not stay economically afloat. End Summary.

Promising a third of GDP?

[¶](#)2. (C) Since 2005, President Chavez has made verbal promises to foreign countries valued at over USD 90 billion in the form of agreements, binational funds for joint projects, donations, investments, government purchases, and joint ventures (as well as the value of oil sold at favorable terms). Of the information EconOff could obtain from media reports, economic think tanks, reporting from other embassies, and the BRV itself, Venezuela has engaged in its dollar diplomacy with at least 90 countries. The funds have been allocated to inter alia humanitarian aid, establishing new diplomatic missions, and projects in the areas of oil and

gas (including shipbuilding), petrochemicals, aviation, agriculture, labor, finance (including debt purchase), defense, development, education, environment, health, housing, industry, infrastructure, media, mining, science/technology, telecommunications, tourism, and trade. (Note: A detailed matrix has been transmitted to the desk and is available and from EconOff at Rioja-ScottIE@state.gov. End Note.)

¶3. (C) USD 26.7 billion of Chavez' pledges are for transactions that do not result in a direct, immediate, or tangible benefit to Venezuela, as the figure represents either donations abroad, funding for foreign projects, or discounted oil that will not be repayed within the fiscal year. It is important to keep in mind that many ventures and projects tabulated in the overall total are on Venezuelan soil and could be viewed as contracts for domestic projects versus a handout or special concession.

¶4. (C) Estimating the number of transactions that have been delivered is nearly impossible. However, examples are popping up of Chavez not delivering -- in Bamako, the USD 100 million in oil Chavez promised is nowhere to be found (Ref B). Even estimating the USD amount of the transaction is difficult, especially when taking into account that some sources, such as the Center for Economic Research (CIECA), are identified with the opposition. Many of the transactions between Venezuela and other countries are only memoranda of understanding or letters of intent. Aside from the deals/purchases whose value we do know, there are over 250 whose value is unknown (and have not been factored into the USD 90 billion total).

A sampling

CARACAS 00003257 002.3 OF 003

¶5. (C) Even a cursory look at the list of Chavez' promises reveals some amusing spending. In Bolivia, Chavez reportedly spent USD 150,000 to finance television transmission of the 2006 World Cup, in Brazil he spent USD 1 million to fund the Vila Isabel Samba School, and in the United States he reportedly donated USD 100,000 for the Puerto Rico Festival in Chicago (reportedly funded by Citgo). In July 2006, he donated 30,000 metric tons of cement to Guyana, despite a cement shortage in Venezuela at that time which justified a 500,000 metric ton cement purchase from Cuba three months earlier. Chavez has also reportedly paid for airport construction in the Dominican Republic and Dominica, financed highway reconstruction in Jamaica, and donated asphalt to Haiti.

¶6. (C) Outside the hemisphere, he has recently announced the establishment of diplomatic relations with countries where Venezuelan presence and interest appears minimal, such as Angola, Benin, Central African Republic, Chad, Mauritius, and Sao Tome and Principe, among others. That said, these missions will presumably help advance the BRV's efforts to carve out a bigger role in international organizations (such as the UNSC race).

The big beneficiaries

¶7. (C) The countries that have most benefited from Chavez' promises (despite delivery being unconfirmed) are Argentina, with 25 deals (known value USD 5.4 billion, which includes purchase of Argentine debt) Bolivia, with 40 deals (known value USD 2.8 billion), Brazil, with 8 transactions (known value USD 10.5 billion), China, with 37 deals (known value of USD 9 billion), Cuba, with 47 transactions (known value of USD 11.1 billion), Iran, with 61 deals (known value USD 1.8 billion), Russia, with 26 deals (known value USD 4.3

billion), and Uruguay, with 29 deals (known value USD 2.7 billion).

What does Chavez gain?

¶ 18. (C) Within Venezuela, these giveaways and promises of financial aid have been an increasingly contentious subject. The opposition has repeatedly criticized the President for spending money abroad while Venezuela is rife with poverty, failing infrastructure, and poor health and education systems. (Note: That said, the enormous total value of these transactions may be beyond the comprehension of an average Venezuelan. End Note.) To counteract the backlash, the Ministry of Communications and Information waged an advertising campaign visible around Caracas, where Chavez is seen shaking hands with foreign leaders and below them the caption: "Breaking the blockade, Venezuela is respected." (Note: Apparently, gratuitously using photos of world leaders for campaign purposes didn't sit well with some -- Portuguese Prime Minister Socrates Carvalho was outraged when Chavez used a photo taken during a recent refueling stop in Lisbon. End Note.) Chavez has said publicly that his foreign travels are "unavoidable commitments" for a head of state, though the correlation between his travel schedule, mounting promises, and the race for the U.N. Security Council seat suggests otherwise.

¶ 19. (C) From a purely economic perspective, Venezuela could stand to gain from some deals. For example, if joint ventures on Venezuelan soil prosper, then they will have, in theory, a positive effect on the economy. However, granting housing construction concessions, for example, to China and Iran, may not always make economic sense. The former President of the Construction Chamber, Alvaro Sucre, said that the bids from those countries were over twice the amount offered by the private Venezuelan construction firms.

Comment

CARACAS 00003257 003.3 OF 003

¶ 10. (C) For now, most of the promises Chavez makes abroad seem to be pure fluff. A few joint ventures, such as the VenIran Tractor Company, are currently operating (though no information is available on sales or profits). Oil with favorable financing terms via PetroCaribe is reaching Caribbean shores (though we don't know exactly how much or when). However, most everything else is either unspecified or unconfirmed. In cases we can confirm, the BRV aid is being distributed with normal revolutionary efficiency.

¶ 11. (C) Chavez' promises shed light on who he envisions as his allies in the shaping of a "multi-polar world," and how he views Venezuela's global role. He is certainly positioning Venezuela to be the region's energy broker, with nearly USD 50 billion in energy deals (including barter and PetroCaribe) with neighboring countries. He is also strengthening bilateral ties with Iran and Africa (if not in real dollar terms, in number of promises, deals or embassies). He has attempted to create a positive impression of Venezuela in the first world, with donations to the poor in the United States (via Citgo) and Britain. Whether such deals have the desired effect of wooing these countries toward Venezuela is questionable, especially in view of Venezuela's failure to get a majority of UNSC votes. Domestically, Chavez' spending is becoming a hot topic, as evidenced by the "damage control" media campaign he endorsed after his latest world tour in August. Making grandiose pledges may be one of many diplomatic tools, but if Chavez were to really commit the funds he has promised, Venezuela's entire economy, to say the least, would crumble. End Comment.

WHITAKER